

## ***NEWS RELEASE***

FOR IMMEDIATE RELEASE  
AUGUST 20, 2001

CONTACT: MARC McHUGH  
(617) 727-6200, EXT. 182

### **DeNUCCI SAYS BOSTON AREA PROVIDER IS GOVERNED BY ABSENTEE BOARD**

State Auditor Joe DeNucci reported today that a Boston-based human services provider, despite receiving virtually all of its funds from state contracts, is overseen by an eight-member board of directors of which seven members live outside Massachusetts.

DeNucci's audit of the Center for Health and Development, Inc. (CHD), which provides mental health and other human services throughout the Commonwealth, revealed that only one member of the eight-member board lives in Massachusetts. The others live in New Jersey, Maryland, Washington, D.C., California, Georgia and South Africa. As a result, DeNucci questioned whether the agency is operating with proper oversight or adequate input from the Massachusetts communities that it serves.

"The boards of most human service providers in Massachusetts live in the communities they serve, so the directors are familiar with the needs of their areas and are able to exercise proper oversight," DeNucci said. "The Center for Health and Development, however, appears to be overseen by an absentee board, and that's not in the best interests of its clients."

Of Chad's total revenue of \$4.4 million in fiscal year 2000, nearly \$4.2 million came from state contracts.

Because most of the directors are from out of state, the audit found, CHD spent as much as \$24,651 in unnecessary expenses, including teleconferencing costs, transportation, hotels and meals, to accommodate these board members. In addition, the agency's former director received \$16,441 in pay raises and fringe benefits without substantiation of board authorization.

DeNucci's audit found that CHD charged the state for \$39,972 in undocumented, inadequately documented or non-program-related costs, including questionable credit card expenditures for dinners, going-away parties, gifts and parking expenses without any explanation of their business purpose.

-more-

The audit also cited the agency for more than \$44,000 in potentially excessive costs to send employees to conferences in Orlando, Minneapolis and Washington, D.C., where one employee charged \$80 for crab cake dinners to his room.

DeNucci also questioned CHD's controls over more than \$440,000 in consultant services. DeNucci's report stated that the agency lacked a process to document the need for goods and services, did not follow a competitive bidding process in awarding all of its consulting contracts and approved payments to consultants without adequate documentation that the services were actually provided.

According to the audit, one consultant who was hired by CHD to do HIV prevention services for the Department of Public Health charged the state for \$14,039 in inadequately or undocumented or non-program-related costs. Although this consultant received \$161,000 for work done over a three-year period, CHD did not always enter into a formal written contract with this individual, so it could not be demonstrated whether these expenses were appropriate.

Among the expenses for which the consultant charged CHD were a \$68 gift for a DPH employee and another \$46 wedding gift for a DPH employee. The consultant also bought a silk scarf for \$40 and gave the invoice to CHD, which then directly charged the expense to a DPH AIDS prevention contract.

DeNucci's audit also found that CHD did not maintain adequate internal controls over \$275,000 worth of furniture and equipment. Finally, the audit stated that CHD did not accurately disclose a \$3,896 related-party transaction involving the agency's treasurer, who is also the president of the company that supplies CHD with its long-distance telephone service.

DeNucci urged the Department of Mental Health, CHD's principal funding agency, and DPH to seek to recover any state money that was inappropriately paid to the provider.

"As a vendor performing services for the state, the Center for Health and Development has a responsibility both to the public and its clients to operate in a fiscally responsible manner," said DeNucci. "My audit shows a clear lack of accountability on the part of this provider. I hope my audit results in stronger controls over its expenditures."

CHD, a non-profit corporation formed in 1987, provides residential services and other programs in Framingham, Weymouth, Fitchburg, Leominster, Winchendon, Quincy and Wakefield. It also provided forensic mental health services to courts in central Massachusetts.



